

NSC BRIEFING

DOCUMENT NO. **24**
DECLASSIFIED
CLASS. CHANGED TO: TO S C
NEXT REVIEW DATE: **17 April 1957**
AUTH: HR 70-2
DATE **1-16-80** REVIEWER: **372044**

SOVIET FOREIGN ECONOMIC CREDIT COMMITMENTS
(Millions of \$US)

- I. As a result of the extension of credits for foreign economic (not military) aid in the last two years^(cr sc), the USSR is committed to pay out just under 1 billion dollars in 1957. The European Satellites will get \$700 million, Communist China \$30 million and the Free World \$200 million.
- II. The most significant increase in Soviet foreign economic commitments in recent years occurred in the latter months of 1956 in an effort to placate political unrest in the European Satellites.
- III. These fairly sizable Soviet financial commitments are not likely to have a significant impact on the overall Soviet economy.
 - A. Outlays for 1957 will be less than 1 percent of Soviet gross national product.
 - B. Good share of commitments to the Satellites for foreign exchange paid for with gold sales to Free World amounting to approximately \$250 million during 1956 and early 1957.
(another \$100 million may be sold by end of 1957.)
 - C. Being largely loans, they will be repaid but only over a fairly long time period.
- IV. On the other hand, the Soviet commitments not compensated by gold sales fall unevenly on the economy.
 - A. Commitments to the Satellites are primarily for agricultural and industrial raw materials.
 - B. Commitments to the Free World are largely for industrial equipment and technical services.

- C. Unplanned commitments (such as those to the Satellites last fall and early this year) disturb the Soviet planning and distribution system.
- V. USSR credits to underdeveloped countries are conducted on mutually advantageous economic terms: Soviets exchange capital equipment for raw materials. USSR credits to Soviet Bloc members, in addition to being part of a unified economic program, are probably regarded by Soviet planners as a small price to pay for preservation of empire.

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SOVIET STATE LOAN MORATORIUM

I. Khrushchev announced 8 April plan for 20-25 year moratorium on paying off (260 billion ruble (\$65 billion) bonded indebtedness to Soviet public incurred in compulsory "loans" collected over 30 year period.

A. This extraordinary fiscal maneuver follows:

1. Last winter's substantial reduction of industrial goals under 1957 plan.
2. Khrushchev's recent announcement of sweeping government reorganization (reported to NSC 4 April) designed to permit achievement ambitious 1960 goals despite 1957 setback.

II. Khrushchev undoubtedly motivated by fact that debt in few years would be so large that redemptions and interest (in form of "prize" money) each year would cost government more than annual take from loans.

III. Public dismay at virtual repudiation public debt will be offset by cancellation of annual "loan" drives-- which amounted to a tax.

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